

**Detroit Edison**



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February 13, 2001

Ms. Dorothy Wideman  
Executive Secretary  
Michigan Public Service Commission  
6545 Mercantile Way  
Lansing, Michigan 48909-7721

**Re: MPSC Case No. U-12702**

Dear Ms. Wideman:

Enclosed please find the original and fifteen copies of The Detroit Edison Company's Report on Summer 2001 Capacity Plan Update as well as The International Transmission Company's update addressing transmission issues, along with Proof of Service relative to above referenced matter.

Very truly yours,



Jon P. Christinidis

JPC/dj  
Enclosures

cc: Service List

STATE OF MICHIGAN  
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the investigation, on the )  
Commission's own motion, into the )  
electric supply reliability plans of )  
**CONSUMERS ENERGY COMPANY,** )  
**THE DETROIT EDISON COMPANY,** )  
and **INDIANA MICHIGAN POWER** )  
**COMPANY** for the year 2001. )

Case No. U-12702

**The Detroit Edison Company**

**Report on**

**Summer 2001 Capacity Plan Update**

**February 13, 2001**

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# Update to Report on Summer 2001 Capacity Plan

## **I. Introduction**

In its order of January 23, 2001, in Case No. U-12702, the Michigan Public Service Commission (Commission) directed The Detroit Edison Company (Detroit Edison or Company), Consumers Energy, and Indiana Michigan Power Company to file “updates to their electric capacity plans to reflect changes resulting from the situation in California.”

## **II. Form of Response**

The Commission requested information in the areas of both power planning and procurement and transmission planning and operations. Due to the functional separation of Detroit Edison’s power merchant operations from transmission operations by various FERC orders, Detroit Edison’s response to the Commission will be set forth in two parts. This report will address issues related to the power supply planning function. A separate report will address issues related to the transmission operations function.

## **III. The Michigan / Midwest Is Different From California**

The structure of the electric utility industry and the merchant energy competitive market is different in Michigan and in the Midwest from that in California where, as the Commission noted, “supply shortages have resulted in rotating blackouts.” Various analyses have appeared in the trade press about the situation in California, and the Commission has done its own analysis in its report, “Status of Electric Competition in Michigan,” February 1, 2001. There are a few simple, but important, distinguishing factors.

### *a. Divestiture of Generation*

California utilities were required to divest themselves of the major portion of their generation. Michigan utilities, and utilities in the Midwest in general, still own and control their generating assets. Most Midwest utilities own enough generation, or have contracted for generation output, to supply 80% to 100% of their peak loads. Therefore, these utilities need only to purchase relatively small amounts of power from the market, compared to California utilities.

*b. Daily Spot Market Exposure*

In California, utilities had to buy power each day through the Power Exchange. They were not allowed to contract for seasonal supply. This put their entire daily supplies at risk to fluctuating spot market prices. Detroit Edison is able to, and has, contracted for summer seasonal supply from reliable suppliers at fixed or known prices. Therefore, barring new or different power market circumstances or other unforeseen emergencies, the Company is well-insulated against the volatility of daily spot market prices.

*c. Power Supply Planning*

Because of its ownership of generation and the ability to contract for seasonal power, Detroit Edison can, and has, developed a workable and reliable supply plan to meet summer power needs, and is able to implement such a plan well before the summer season, contracting for power supply and transmission. In contrast, the California structure assumed that sufficient supply would always be available through the Power Exchange, which was, in retrospect, an erroneous assumption. In other words, California utilities were institutionally prohibited from prudently planning to serve expected electric load; Michigan utilities are not subject to such large planning risks.

*d. Supply and Transmission Capability*

The Midwest has adequate capacity and transmission, inside and outside of Michigan, to supply the Company's plan. Although there is not an inexhaustible supply of either generation or transmission, prudent contracting of power supply coordinated with reservations of transmission enables Detroit Edison to meet its power needs reliably and economically.

*e. "Last Resort" Supply Obligations*

In California, as in Michigan, the local utility has the obligation to become the provider of last resort to retail access customers who are no longer served by competitive suppliers. In the face of high wholesale market prices, competitive suppliers in California could release such customers back to the local utilities, which had to provide short-term supply at capped rates. While the current situation for Detroit Edison is similar, the Company has proposed, in Case No. U-12489, a "return to service" provision at market-based rates for short-term supply. Such a provision would minimize unanticipated loads returning from Electric Choice during summer, and therefore would minimize the Company's exposure to less reliable supply and high prices in the summer spot market.

#### **IV. Update to Detroit Edison's December 15, 2000, Capacity Plan**

The Commission requested that Michigan utilities "update their filings to reflect any changes that are expected to occur as a result of the California situation, including changes in the wholesale market for electricity in the Midwest."

Because of the differences explained in Section III above, Detroit Edison has not seen, and does not expect, much change in the Midwest wholesale electricity market. The Company's plans for summer 2001 have only minor updates.

*a. Capacity Plan*

Detroit Edison constantly reviews and adjusts its summer capacity plan to reflect changing conditions. An update to the Summer 2001 Capacity Plan is shown on Exhibit 1 (revision date February 13, 2001). The changes from the December 15, 2000 Capacity Plan are (1) a reduction of the peak demand from 12,375 MW to 12,283 MW due to minor changes in the load forecast and (2) a reduction of estimated Electric Choice from 585 MW to 451 MW. With the above two changes, plus related adjustment to reserves, the Company's required purchases increase by 49 MW, from 2,098 MW to 2,147 MW.

The above current estimate of Electric Choice for summer of 2001, 451 MW, includes one large site of approximately 175 MW. Smaller customers total 276 MW. To date, as cited in the Commission's February 1, 2001, report, 180 MW of Detroit Edison load is presently on Electric Choice. The estimate of an additional 96 MW by the summer of 2001 (= 276 MW minus 180 MW) shows an anticipated small increase in Electric Choice by summer of 2001, compared to the present level.

Near-term estimates of Electric Choice depend on factors whose future outcome is still in fluctuation. For example, the current high level of wholesale electricity prices, in comparison to the Detroit Edison's tariff rates, is apparently affecting current decisions of customers and alternative electric suppliers regarding Electric Choice. In addition, the amount of Detroit Edison interruptible load included in the Company's capacity plan is also potentially affected by which customers go to Electric Choice. Again, the Company is monitoring the Electric Choice program and will continue to fine tune its summer capacity plan as the level of Electric Choice by summer becomes clearer.

*b. Transmission Plan*

For the summer, Detroit Edison has currently reserved 1,880 MW of firm transmission from the ECAR region into Michigan. This is unchanged from the December 15, 2001 filing. As in previous summers, the Company expects to purchase power from Canada and from merchant suppliers within Michigan, plus a small amount from customer-owned generation. Therefore, not all of the Company's purchase requirements of 2,147 MW need be covered by external transmission in ECAR.

*c. Purchase Status*

To date, the Company has effectively hedged its additional resource requirements and is finalizing the last of its physical power contracts for the summer. To assure the most favorable power supply acquisitions for Michigan customers, the specifics of transactions are being held confidential.

## V. Maintenance Coordination and EPA Requirements

The Commission requested Michigan utilities to “include information on how the utilities plan to coordinate their overall maintenance schedules and the installation of air quality control equipment (required by the EPA) to ensure that the plants will be available to serve customers’ demand during the summer of 2001.”

Detroit Edison and Consumers Energy will be submitting their annual planned maintenance schedules to the MECS control area operator (a transmission function) as part of providing required control area services. This will allow the control area operator to assess overlaps of planned outages and to assist in coordinating maintenance schedules.

### *a. Summer*

Detroit Edison’s maintenance plan for 2001 does not have any maintenance scheduled between June 1 and the beginning of September. All of the Company’s units are expected to be available during the summer of 2001. The Company has scheduled maintenance prior to the summer to prepare the generating units for summer use.

It is the Company’s understanding that it is the common practice of other utilities in the ECAR region to have minimal planned maintenance during summer months, as well.

### *b. Non-Summer -- Installation of Air Quality Control Equipment*

As the Commission is aware, the U.S. Environmental Protection Agency (EPA) has undertaken several initiatives, including the NO<sub>x</sub> State Implementation Plan (“SIP” -- refer to endnote #1 for explanation) and implementation of Section 126 of the Clean Air Act (refer to endnote #2 for explanation) that target fossil fired utility boilers for significant reductions in oxides of nitrogen (NO<sub>x</sub>).

Because the majority of the generating capacity in ECAR is coal fired, these various initiatives could prompt the retrofit installation of NO<sub>x</sub> controls on many generating facilities. ECAR member utilities installing these controls will require extensions to currently scheduled outages as well as additional outages. An ECAR study that the Company participated in concluded that concentrating large amounts of retrofits in a very limited time could degrade system reliability during the maintenance period. However, the installations would occur during the non-summer months.

Detroit Edison has begun preparation to install the required air quality control equipment to be in compliance with the EPA requirements by the deadline. The installations will be performed in the non-summer months during scheduled maintenance outages.

## **VI. Interconnection of Merchant Plants**

The Commission requested Michigan utilities to “indicate whether any merchant generating plants will have immediate interconnection access to the grid when they are completed and, if not, how long it will take to interconnect a new plant.”

The Commission’s report, “Status of Electric Competition in Michigan,” February 1, 2001, contains listings of merchant generating plants in Michigan. Several merchant plants in Michigan are already connected to the grid. Additional plants are expected to be in service by the summer of 2001.

Issues relating to the interconnection of these and any other new generating facilities will be addressed by the International Transmission Company in a separate report.

## **VII. Summary**

- Because of different utility and competitive structures, in addition to physical separation between the western and eastern U.S. power grids, Detroit Edison sees little impact of the California situation on the wholesale electricity market in the Midwest as it affects the Company’s summer capacity plan.
- Detroit Edison has made minor revisions to its Summer 2001 Capacity Plan to consider changes in estimates of Electric Choice.
- No generation maintenance is planned for the summer of 2001, and all Company generation is expected to be available to serve customers’ demand.

## ENDNOTES

### #1 NOx SIP Call

In November of 1998, the EPA finalized its NOx State Implementing Plan (SIP) Call. This regulation culminated a long and intensive program to develop a rule that would address the persistent ozone non-attainment experienced by many areas in the eastern United States. It mandated widespread NOx reductions in 22 eastern states and the District of Columbia. While the rule gives individual states freedom to choose where reductions are made, the EPA clearly intended that utilities would bear the greatest of the reductions. The rule is based on utility reductions to 0.15 lb. NOx/million Btu heat input effective May 1, 2003. This requirement is an 85% reduction from 1990 levels. States were required to file their State Implementing Plans in the fall of 1999. The compliance date has been extended until May 1, 2004.

### #2 Section 126

On December 17, 1999 the EPA formally approved four “126 petitions” to address the transport of pollution into the Northeastern States. Under section 126 of the Clean Air Act, states can petition the EPA to require emission reductions from sources in upwind states that are shown to affect downwind states. The EPA approved petitions filed by Connecticut, Massachusetts, New York, and Pennsylvania. Petitions were originally filed from four additional states, which the EPA disapproved. The EPA is still considering additional petitions from Maryland, New Jersey, Delaware and the District of Columbia. Power industry groups are likely to challenge these requirements.

The approved petitions identify 392 facilities and require reductions that are essentially equivalent to the NOx SIP Call (i.e. 0.15-lb NOx/million Btu by May 1, 2003). The petitions cite sources in the states of Delaware, District of Columbia, Indiana (partial), Kentucky (partial), Maryland, Michigan (partial), North Carolina, New Jersey, New York (partial), Ohio, Pennsylvania, Virginia, West Virginia. A large number of the affected sources are in the ECAR region. Presently, sources will have to make the reductions by the May 1, 2003 deadline.

**Exhibit 1**

**Detroit Edison Capacity Plan  
Summer 2001**

	<u>Summer 2001 MW</u> <u>Filing</u> <u>15 Dec 00</u>	<u>Update</u> <u>13 Feb 01</u>
<b>A. Required Resources</b>	<b>MW</b>	<b>MW</b>
Peak demand for service area	12,375	12,283
Less load in Electric Choice	- 585	- 451
Less interruptible load	<u>- 388</u>	<u>- 388</u>
Adjusted demand	11,402	11,444
Planning reserve	<u>1,669</u>	<u>1,676</u>
Total Required Resources	<u>13,071</u>	<u>13,120</u>
<b>B. Available Resources</b>		
Owned capability for peak	11,176	11,176
Long-term commitments:		
Non-utility generation and QF contracts	103	103
Ludington lease	<u>-306</u>	<u>- 306</u>
Total Available Resources	<u>10,973</u>	<u>10,973</u>
<b>C. Required Purchases</b>	<u>2,098</u>	<u>2,147</u>
<b>D. Load Management for Contingencies</b>		
Interruptible Air Conditioning	250	250
Interruptible Water Heating	20	20
Internal Load Management	30	30
Public Appeals	<u>350</u>	<u>350</u>
Total	650	650

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the investigation, on the )  
Commission's own motion, into the )  
electric supply reliability plans of )  
**CONSUMERS ENERGY COMPANY,** )  
**THE DETROIT EDISON COMPANY,** )  
and **INDIANA MICHIGAN POWER** )  
**COMPANY** for the year 2001. )

Case No. U-12702

# **The International Transmission Company**

## **Summer 2001 Transmission Capacity Plan Update**

**February 13, 2001**

# **The International Transmission Company**

## **Summer 2001 Transmission Capacity Plan Update**

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1. ITC does not see any changes to capacity plans for transmission in light of the California situation.
2. All merchant plants completed will have interconnection access to the grid per FERC policy. The plants will need to have installed adequate revenue meters, installed adequate telemeter equipment and coordinate relay settings with ITC as a minimum interconnection requirement. If the interconnection needs are more complex, i.e., new circuit breakers or new conductors are needed, then all of that new construction will also need to be completed before interconnection. In either case, a signed or unsigned interconnection agreement recognizing the unique circumstances of that interconnection will need to be filed by ITC at FERC.

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

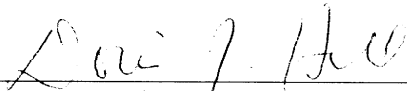
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Case No: U-12702

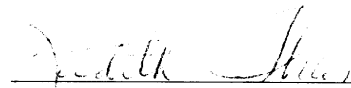
PROOF OF SERVICE

STATE OF MICHIGAN )  
 ) SS.  
COUNTY OF WAYNE )

DORIS J. HILL, being first duly sworn, deposes and says that on the 13<sup>th</sup> day of February, 2001, a copy of **THE DETROIT EDISON COMPANY'S REPORT ON SUMMER 2001 CAPACITY PLAN UPDATE AND THE INTERNATIONAL TRANSMISSION COMPANY'S UPDATE ADDRESSING TRANSMISSION ISSUES** was served upon the parties listed on the attached Service List by first class mail.

  
\_\_\_\_\_  
DORIS J. HILL

Subscribed and sworn to before me  
this 21 day of February, 2001

  
\_\_\_\_\_  
*Notary Public*

JUDITH THUM  
NOTARY PUBLIC MACOMB CO., MI  
MY COMMISSION EXPIRES Jun 6, 2004

**MPSC Case No: U-12702**  
**SERVICE LIST**  
**(As of February 12, 2001)**

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